

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Retail Ground and Parcel Select Ground
Service Standard Changes, 2022

Docket No. N2022-1

PRESIDING OFFICER'S INFORMATION REQUEST NO. 3
AND NOTICE OF FILING UNDER SEAL

(Issued April 8, 2022)

Pursuant to Order No. 6124¹ and 39 C.F.R. §§ 3020.117 and 3020.118, the Postal Service is requested to respond to the following questions to clarify the record on its request for an advisory opinion under 39 U.S.C. § 3661(b) regarding Retail Ground (RG) and Parcel Select Ground (PSG) service standard changes.² To facilitate inclusion of the requested material in the evidentiary record, the Postal Service shall have a witness attest to the accuracy of the answers. For each question, produce every document (including any calculations, analysis, assumptions, studies, or workpapers) that was used, relied upon, or referenced in preparing the response. Responses shall be provided as soon as they are available, but no later than April 15, 2022.

¹ Notice and Order on the Postal Service's Request for an Advisory Opinion on Changes in the Nature of Postal Services, March 23, 2022 (Order No. 6124).

² United States Postal Service's Request for an Advisory Opinion on Changes in the Nature of Postal Services, March 21, 2022 (Request).

1. Please refer to USPS-T-1 at 8.³ The Postal Service states it expects increased reliance on e-commerce to continue and "...retailers have the same expectation, as retailers continue to expand their Business-to-Consumer (B2C) business models and to relocate inventory to smaller facilities closer to population centers." If retailers have been relocating inventory closer to population centers as the Boston Consulting Group (BCG) market survey indicates, please confirm that the 2-day to 5-day Retail Ground (RG) and Parcel Select Ground (PSG) volume are expected to increase while the 6-day to 8-day volume are expected to decrease even absent the proposed service standard change.
 - a. If confirmed, please provide the volume share percentages for 2-day to 5-day and 6-day to 8-day RG and PSG volume for FY 2017 to FY 2021 by fiscal year. Please also provide projected volume share percentages if available.
 - b. If not confirmed, please explain.
2. Please refer to USPS-T-1 at 8. The Postal Service further states "FCPS provides a medium-speed, low-price shipping option for lightweight (less than a pound) packages."
 - a. Please identify the market or market segment in which other Parcel Select products operate, specifically where Parcel Select Lightweight (PSLW) belongs.
 - b. Please confirm that some PSLW and other postal products may be consolidated with PSG and RG under existing operations.
 - i. If confirmed, please provide the volume and percentage of PSLW and other postal products that are consolidated with PSG and RG in FY 2021 for each product.

³ Direct Testimony of Steven E. Jarboe on Behalf of the United States Postal Service (USPS-T-1), March 21, 2022.

- ii. If not confirmed, please explain why PSLW and other postal products are not consolidated with PSG.
 - c. Please confirm that there will be no impact to the existing operational flow of PSLW under the proposed service standard change. If not confirmed, please describe, and estimate the impact the proposed service standard change will have on the operational flow and mail processing and transportation unit costs of PSLW.
- 3. Please refer to USPS-T-1 at 7. Please also refer to OIG Report No. 19RG003MS000-R20 at 2.⁴ The Postal Service states “BCG conducted interviews with shipping industry leaders, logistics experts, mid-market shippers and an online survey of commercial e-commerce business shipping decision makers to understand how they prioritize shipping services and features and assess their price sensitivity to changes in time-in-transit, which generated favorable results and responses that demonstrated existing demand for increased package delivery speed.” USPS-T-1 at 7. The OIG identifies the Brand Health Tracker as a survey-based tool that reflects “consumer perception of both the Postal Service and its competitors, advertising effectiveness, overall satisfaction and satisfaction with individual attributes.” OIG Report No. 19RG003MS000-R20 at 6.
 - a. Please compare and contrast the BCG survey and its findings with the most recent Brand Health Trackers’ findings with regards to how mailers prioritize shipping services’ individual attributes and features, as well as their price sensitivity to changes in time-in-transit.
 - b. Do PSG and RG mailers’ prioritization of shipping services, individual attributes, features, and price differ from mailers of First-Class Package Service (FCPS), PSLW and Priority Mail? If yes, please describe the differences and provide the basis for the differences.

⁴ United States Postal Service, Office of Inspector General (OIG), Report Number 19RG003MS000-R20, U.S. Postal Service Sales and Marketing Key Performance Indicators, October 17, 2019 (OIG Report No. 19RG003MS000-R20).

4. Please see Attachment, filed under seal.
5. Please refer to USPS-T-2.⁵ Please also refer to USPS-T-3.⁶ The Postal Service states “[c]urrently, an estimated 14.0 percent of RG volume and 15.6 percent of PSG volume travels by air.” USPS-T-2 at 17. The Postal Service also states “[s]ome high-zone PSG and RG pieces currently transported by surface modes will require FedEx Day Turn air transportation to meet the planned service standards. Relatedly, some FCPS will shift from commercial flights to FedEx Day Turn transportation since mixed FCPS, PSG, and RG pieces will include parcels exceeding weight limits for commercial air transportation.” USPS-T-3 at 1-2.
 - a. Please confirm that the RG and PSG pieces currently traveling by air are pieces with origin or destination outside the contiguous United States. If not confirmed, please specify the type of pieces, or describe the circumstances for these RG and PSG pieces to travel by air.
 - b. Please confirm that currently there are no PSG and RG pieces within the contiguous United States transported by air modes. If not confirmed, please identify the PSG and RG pieces that are transported by air modes and provide the percentage of the contiguous United States PSG and RG pieces that were transported by air in FY 2021.
 - c. Please confirm that high-zone Priority Mail (PM) and Priority Mail Express (PME) pieces are transported by air modes.
 - i. If confirmed, please indicate by which air modes are PM and PME transported.
 - ii. If confirmed, please further confirm that high-zone PSG and RG and some FCPS will be consolidated with PM and PME. If

⁵ Direct Testimony of A. Thomas Bozzo on Behalf of the United States Postal Service (USPS-T-3), March 21, 2022.

⁶ Direct Testimony of Kevin P. Bray on Behalf of the United States Postal Service (USPS-T-2), March 21, 2022.

confirmed, please discuss the potential impact on unit costs, operation, service and air transportation capacity on FedEx Day Turn and commercial air. If not confirmed, please explain.

- d. Please confirm that there are no high-zone PM pieces transported by surface mode. If not confirmed, please indicate how many days do these pieces take to be delivered from entry to delivery.
 - e. Please discuss the potential operational and cost impact (including the unit cost impact) the proposed operational changes will have on PSG and RG pieces sent to or from domestic locations outside the contiguous United States and packages containing Hazardous Materials. Please specify whether these packages will require special dedicated surface transportation or be consolidated with another product(s).
6. Please refer to USPS-T-3 at 5 n.2. The Postal Service states “[s]ince RG volume data do not distinguish machinable from non-machinable RG volumes, I retain the PSG machinable/non-machinable mix as a proxy.” Given that RG mailers are individuals and small businesses while PSG mailers are large businesses, please explain why PSG machinable/non-machinable mix is a good proxy for RG volume.
7. Please refer to USPS-T-3 at 6. The Postal Service states “[t]he mode shift to air transportation is estimated to reduce transportation costs for high-zone PSG and RG...” The Postal Service further states “[t]he result reflects relatively high costs for longer-distance (high zone) surface transportation movements...”
- a. Please discuss under what circumstances the transportation of high-zone pieces via air will continue to be less costly than surface.
 - b. Please also discuss the Postal Service’s plan for a scenario when the transportation of high-zone pieces via air becomes more costly than surface.

8. Please refer to USPS-T-3 at 6. The Postal Service states “[t]he impact on FCPS contribution, and the estimated net cost reduction of \$5.0 million, including mail processing and transportation cost impacts, are small.”
 - a. Please describe, if any, other benefits in addition to those discussed in USPS-T-1 that are expected to be realized from the proposed service standard change.
 - b. Please discuss the potential risks (e.g., cannibalization of more profitable products, operational disruption, fuel price hike, pandemic, etc.) of the proposed service standard change and the Postal Service’s plan, if any, to mitigate these risks.
 - c. Please discuss why the \$5 million projected net cost savings and the benefits stated in response to 8.a. outweigh the risks discussed in response to 8.b.
9. Please see Attachment, filed under seal.
10. Please see Attachment, filed under seal.
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Michael Kubayanda
Presiding Officer